

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

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SS-15 STR-04 CEA-01 OES-07 DODE-00 AGRE-00 /097 W

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 5077

INFO USLO PEKING

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY RANGOON

AMEMBASSY ROME

AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY PARIS

COMUSTDC

CINCPAC

C O N F I D E N T I A L HONG KONG 6186

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: ECON, ETRD, CH

SUBJECT: PRC BI-WEEKLY ECONOMIC HIGHLIGHTS NO. 4

1. CHINA'S UNPRECEDENTED CONFERENCE TO LEARN FROM ITS
NATIONAL INDUSTRIAL MODEL, THE TACHING OILFIELD, CLOSED MAY 13
AFTER THREE WEEKS OF MEETINGS DEVOTED TO THE HUA
GOVERNMENT'S POST-MAO ECONOMIC POLICIES. MAJOR ADDRESSES
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BY CHAIRMAN HUA AND DEFENSE MINISTER YEH CHIEN-YING HIGHLIGHTED
THE CONFERENCE'S ACTIVITIES. VIRTUALLY COMPLETE LEADERSHIP
ATTENDANCE PROJECTED AN IMAGE OF BROAD AGREEMENT WITHIN
THE GOVERNMENT ON ECONOMIC PRIORITIES. YEH CHIEN-YING'S
SPEECH, IN WHICH HE ENDORSED THE CONCEPT OF MILITARY
MODERNIZATION RESTING ON AND INDEED AWAITING PRIOR
INDUSTRIAL DEVELOPMENT, SIGNED CRUCIAL MILITARY SUPPORT

TO THE HUA PROGRAM. WHILE YEH CLEARLY ENVISAGES STEPPED-UP DEFENSE SPENDING, HIS IDENTIFICATION WITH THE HUA PROGRAM UNDERCUTS SPECULATION OF SHARP MILITARY-CIVILIAN DIFFERENCES OVER BUDGET PRIORITIES. THE PROGRAM ITSELF FEATURES A TOUGH BLEND OF STRINGENT MANAGEMENT AND LABOR DISCIPLINE AT THE ENTERPRISE LEVEL AND RENEWED INVESTMENT EMPHASIS ON HEAVY INDUSTRIES IN NATIONAL PLANNING. ITS THRUST IS VERY MUCH IN THE MOLD OF POLICIES TENG HSIAO-PING ADVOCATED IN 1975 WITH FOREIGN TRADE AND FOREIGN TECHNOLOGY ASSIGNED KEY ROLES.

2. REHABILITATION OF TENG'S PROGRAMS IN NAME AS WELL AS IN SUBSTANCE TOOK ANOTHER STEP WITH THE PUBLICATION OF A MAY 18 CHINESE ACADEMY OF SCIENCES DEFENSE OF THE "OUTLINE REPORT" ON SCIENCE AND TECHNOLOGY AND A MAY 21 PEOPLE'S DAILY COMMENTARY DEFENDING THE "REGULATIONS" ON INDUSTRY AGAINST UNJUST CRITICISM BY THE "GANG OF FOUR." BOTH ARTICLES AVOID REFERENCE TO TENG HSIAO-PING, ALTHOUGH HE WAS PUBLICLY BRANDED AS THE AUTHOR IN THE "GANG'S" ANTI-TENG CAMPAIGN OF 1976. THE ARTICLES GO ON TO IDENTIFY MAO, CHOU, AND HUA AS PROPONENTS OF THE POLICIES CONTAINED IN BOTH THE "OUTLINE REPORT" AND THE "REGULATIONS," PROVIDING SANCTION OF THE HIGHEST SORT AND BY IMPLICATION ENHANCING TENG'S STATUS AS WELL.

3. ON THE INDUSTRIAL FRONT CHINA'S ECONOMIC PERFORMANCE APPEARS TO HAVE MADE REASONABLE PROGRESS THROUGH THE FIRST FOUR MONTHS OF 1977, CONTINUING THE UPWARD TREND WHICH BEGAN DURING THE LAST QUARTER OF 1976. CRUDE OIL, COAL, CONFIDENTIAL

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ELECTRIC POWER AND PARTICULARLY RAIL TRANSPORT LED THE RECOVERY. ALL OVERFULFILLED FIRST QUARTER PLANS. ALTHOUGH THE CLAIMS HIGHLIGHT CHINA'S IMPROVING TREND IN ECONOMIC PERFORMANCE, THEY PROVIDE LITTLE INDICATION OF ACTUAL PRODUCTION LEVELS, WHICH IN MANY SECTORS AND AREAS ARE STILL BELOW PREVIOUS HIGH RECORDS. THE LONG-DELAYED FIFTH FIVE YEAR PLAN--TO HAVE BEGUN IN 1976--APPEARS TO BE NEARING FINAL APPROVAL. FOUR PROVINCES HAVE PUBLICLY REFERRED TO TARGETS ASSIGNED UNDER THE PLAN, INDICATING THAT AT LEAST A DRAFT HAS BEEN DISSEMINATED AND IS BEING DISCUSSED AT LOWER LEVELS.

4. IN THE FOREIGN TRADE SECTOR, THE SPRING CANTON FAIR CLOSED MAY 15 TO GENERALLY FAVORABLE REVIEWS FROM US BUSINESSMEN. TOTAL US TRANSACTIONS WERE CLOSE TO THE RECORD LEVEL OF THE SPRING 1975 FAIR, WITH THE LARGEST US PURCHASES IN THE NATIVE PRODUCE AND ANIMAL BY-PRODUCTS AREA, TEXTILES, MINERALS AND METALS AND LIGHT INDUSTRY. US SALES WERE LARGELY CONFINED TO CHEMICALS AND SYNTHETIC

FIBER. THE JAPANESE, WEST GERMANS AND BRITISH
REPORTEDLY REGISTERED STRONG STEEL SALES. OF SPECIAL
NOTE, INDIA PARTICIPATED IN THE FAIR FOR THE FIRST TIME
SINCE THE 1962 SINO-INDIAN WAR. ITS STATE TRADING
CORPORATION SIGNED A CONTRACT FOR THE EXPORT OF SHELLAC
AND THE IMPORT OF NON-FERROUS MINERALS. THE PRC ALSO SIGNED
A GOODS AND EXCHANGE AGREEMENT FOR 1977 WITH CZECHOSLOVAKIA
MAY 19. A SIMILAR AGREEMENT IS SCHEDULED TO BE SIGNED
SHORTLY WITH POLAND, LEAVING ONLY THE SOVIET UNION AND
MONGOLIA UNACCOUNTED FOR IN 1977 AMONG THE SOVIET BLOC
OF COUNTRIES.
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